

## Message from the Chair

### Foreword by the Chair of the Governing Council

The Van Leer Group Foundation funds the Bernard van Leer Foundation and the Van Leer Jerusalem Institute, and is a major donor of the Jerusalem Film Center. The endowment is managed centrally and includes Crecor, an Israeli venture capital company.

Each part of the Van Leer Group has a remarkable history, spanning more than sixty years. The founders Bernard and Oscar van Leer were deeply committed to maximising the realisation of human potential, through early child development, the protection of democracy and nurturing the humanities and arts.

The Governing Council has the responsibility to fulfil the purpose of the founders Bernard and Oscar van Leer. The founders' commitment to impact, rooted in the practices of running a major international company, provides a constant impulse for improving relevance and effectiveness. The prospect of lower investment returns combined with high volatility due to macro-economic circumstances increases the importance of wise stewardship.

Following reviews of the management of the endowment (2013) and Crecor (2014), the VLG Governing Council – together with the Van Leer Jerusalem Institute Board – conducted an in-depth review of the Van Leer Jerusalem Institute in 2015. This has resulted in a new shared vision for the Institute, namely focusing on selected themes to contribute research, ideas and debate to further the development of the humanities and democracy in Israel.

It gives particular pleasure to note the process of renewal within the Bernard van Leer Foundation. The importance of a child's early years for his or her future development is increasingly understood by both policy makers and the scientific community. The Bernard van Leer Foundation seeks to leverage its experience of working in the field to improve the day-to-day reality of children's and parents' lives by enhancing its role as a knowledge broker to public policy makers, funders and partners in the field.

In 2015, two highly valued members of the Governing Council left us due to expiration of their terms. Rien van Gendt has served the Foundation in different capacities for over 27 years. Gideon Frank also served as Chairman of Crecor for five years. We thank them both for their important contributions.

The Governing Council continued the renewal of its members and I am delighted to welcome Yarom Ariav and Wim Borgdorff to the Governing Council. Both bring highly relevant experience for the challenges facing us in the coming years.

I wish to take this opportunity to thank my colleagues on the Governing Council, the Executive Directors of each organisation and their staff for their dedication to our goals and responsiveness to a changing environment.

Jacqueline Tammenoms Bakker, Chair

## Executive Director's report

### Background

The Van Leer Group Foundation's origins lie with Bernard van Leer, a Dutch industrialist and philanthropist. In 1919, he started a packaging company in the Netherlands that developed into a global leader in the packaging industry. Royal Packaging Industries provided him with the resources to pursue his philanthropic ideals: to use his wealth for the benefit of others. When he passed away in 1958, he had arranged that his business interests would continue to fuel his philanthropic activities. His wife Polly and their sons Wim and Oscar had already relinquished their inheritance rights and a humanitarian foundation had been established in 1949 in Lucerne, Switzerland. From these beginnings emerged the Bernard van Leer Foundation and the Van Leer Group Foundation in later years.

The Van Leer Group Foundation is a privately endowed charitable organisation established in 1979 by Oscar van Leer. It performs the holding function for all the Van Leer charitable activities and as such supervises its investment portfolio and the governance of its charitable activities. The Van Leer charitable activities are currently embodied in the Van Leer Group Foundation in The Hague, the Bernard van Leer Foundation in The Hague, the Van Leer Jerusalem Institute and the Jerusalem Film Center. Apart from an investment portfolio managed by three international asset managers, the Van Leer Group Foundation fully owns Crecor B.V., which is active as an Israeli venture capital company through its Dutch subsidiary Docor International B.V. as well as its Israeli subsidiary Docor International Management Ltd. in Tel Aviv.

In its articles of association, the Van Leer Group Foundation defines three statutory objectives. These are:

- To promote the optimum development of socially and economically disadvantaged children up to the age of 8, with the objective of developing their innate potential to the greatest extent possible.
- To contribute to the development and strengthening of a Jewish democratic national home in Israel committed to a free, equitable and just society for all its citizens; to contribute to the pursuit of regional peace, for the benefit and betterment of social cultural and individual lives in Israel.
- To promote and advance the continuity and the preservation of the identity of the Van Leer entity.

The first objective is implemented by the Bernard van Leer Foundation in The Hague. This foundation is funded by the Van Leer Group Foundation.

The second objective is served by all organisations, but in particular by the Van Leer Jerusalem Institute and the Jerusalem Film Center. The Van Leer Group Foundation provides a substantial part of the funding for these organisations.

The third objective implies that the Van Leer Group Foundation is particularly responsible for ensuring that all organisations work together to further all objectives and for the way in which the legacy of the Van Leer family is translated into existing and new humanitarian ventures as well as income-generating activities. There is a personal union between the Van Leer Group Foundation Governing Council, the Bernard van Leer Foundation Board of Trustees and the Supervisory Board of Crecor B.V. The Board of Trustees of the Van Leer Jerusalem Institute currently has two

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representatives from the Van Leer Group Foundation Governing Council. Personal unions and frequent interaction between the Boards mentioned further facilitate the third objective.

The Van Leer Group Foundation does not donate any money to organisations other than the three organisations mentioned. It therefore has no donation policy and does not invite organisations to apply for grants or donations.

### **Financial information**

The financial strategy of the Foundation is formulated as follows:

*'To maintain or add to the purchasing power of the investment assets, measured in euros, and to provide a relatively predictable, stable and, in real terms, constant stream of income for annual charitable expenses by the Foundation.'*

The Foundation regards future generations of grant recipients equally important as the present generation. Since its aim is to exist in perpetuity, the real value of the investment assets should, over the years, not be eroded by excessive pay-outs. In order to realise the above-mentioned strategy of at least maintaining the purchasing power of investments, the long-term investment total returns (net of investment management fees and other related costs) must at least equal the sum of the Foundation's annual expenditures (expected to average 4% of asset value over a long period of time) plus the rate of inflation. Therefore, the primary investment goal is to earn an average annual real total return of 4%, within acceptable limits of risk. The Foundation expects that this goal will not be realised every year, but could be achieved in most five-year periods. On 31 December 2015 the value of the global investment portfolio of the Van Leer Group Foundation amounted to EUR 724 million (2014: EUR 693 million).

The investment policy of the Foundation is implemented (with the exception of Crecor B.V.) by external fiduciary investment management. Our model has some characteristics that are not common to most fiduciary management models. First of all, the Van Leer Group Foundation uses three fiduciary managers. Each has the same mandate. Furthermore, the managers are measured against a specific risk-return profile, and not against a specific asset allocation. This allows the managers to adopt their own optimal asset allocation, both strategic and tactical. The transition towards this model started in 2013, was mostly executed in 2014, but continued into 2015 because of the illiquid nature of some of the assets to be transferred. The existing private equity portfolio will not be transferred, but will be run down over the coming years. Because the new model requires stronger oversight at the Executive Office, a dedicated Investment Manager was added to the staff of the Office in 2014. This brought the total headcount to approximately 3.5 FTE. The year 2015 was a year of consolidating the transition to this new investment structure. Reporting has been improved, as was the transparency of the portfolio.

The total return on investments (net of all investment-related fees) in 2015 was 8.2%. This compared favourably to both our absolute return target and to the relevant market references. However, to assess the adequacy of an investment policy for the agreed upon pay-out for charitable activities (i.e. the sum of the Foundation's annual expenditures), it is important not to concentrate on the total return figure of one single year. Instead, it is important to look at total return figures over a longer period of time. For the Van Leer Group Foundation this means looking at total return figures since 1996, the year that Royal Packaging Industries Van Leer went public and an objective value for our assets could be established. The average total return on the investment portfolio of the Van Leer Group Foundation since inception, i.e. 1996, has been 6.4% (at the end of 2014: 6.3%). After deduction of an average annual inflation figure over this period of 1.9% (Netherlands CPI) the annual real total return has been 4.4%. This annual real total return meets the long term investment objectives.

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The breakdown of the foundation's expenditures over 2015 was:

	<b>2015</b>	2014
	EUR000	EUR000
Bernard van Leer Foundation	23,512	18,494
Van Leer Jerusalem Institute	4,076	3,863
VLJI/Polonsky Academy Building	55	214
Jerusalem Film Center	795	720
Incidental contributions	100	73
<i>Total</i>	<i>28,538</i>	<i>23,364</i>

The charitable spending pay-out in 2015 was 4.13% of the average assets over that year (2014: 3.57%). If the annual expenditures of the Van Leer Group Foundation itself are added, the overall total is EUR 30.104 million (2014: EUR 24.690 million). The actual total pay-out in 2015 was 4.36% of the average assets over that year (2014: 3.77%).

The Van Leer Group Foundation does not use derivatives or other complex financial instruments. Its investment managers may use them to a limited extent.

### **Developments 2015**

Regarding the statutory objectives of the Foundation, the strategic evaluation of the Van Leer Jerusalem Institute stands out. This evaluation is one in a series of recurring evaluations of all activities. The Bernard van Leer Foundation and Crecor B.V. were evaluated in earlier years. To secure the highest level of quality an Israeli consultant was engaged to support the Governing Council. The evaluation was a joint endeavour with the Board of the Van Leer Jerusalem Institute. Although the evaluation is ongoing, a clear direction towards the future has been defined for the Institute. In essence, the Institute will become more focussed on a limited number of themes that are relevant to Israeli society. Within those themes the Institute, based on its existing academic strengths, will develop new ideas and will translate those ideas into a discourse in Israeli society. In 2016 a new Executive Director for the Institute will be appointed, following the statutory retirement of the current Executive Director, Professor Gabi Motzkin. The new Executive Director will lead the further detailing and implementation of the new strategy.

In 2014 Crecor B.V. was evaluated. The Governing Council, based on the evaluation, decided to continue its Israeli venture capital activities through Crecor B.V. But the focus will be more on realisation of exits and improvements in the rate of return by reduction in expenses and costs. In late 2015 the General Manager of Crecor B.V. resigned. He has been replaced by a new General Manager, Boaz Laor, whose primary focus will be on executing the new strategy of exits and cost reduction.

At the Jerusalem Film Center a turnaround plan, financed by the Van Leer Group Foundation, was successfully implemented during 2014 and 2015. The plan included cost reductions and changes in staffing. A new Director, Noa Regev, was hired in 2014 to develop a sustainable strategy. Unfortunately, recent years have been difficult for the JFC because of external circumstances. The 2014 International Film Festival and many other activities were severely hampered by the 2014 Gaza conflict. In 2015 the increased safety concerns in Jerusalem had a negative impact on the number of visitors. This meant that the JFC ended 2015 with a financial deficit despite all the efforts to prevent this. The Van Leer Group Foundation has decided that it wants to develop its relation with the Jerusalem Film Center into a more arms' length relation. Therefore, in 2013 it was decided to withdraw a serving Governing Council member and the Van Leer Group Foundation Executive Director from the Board of the Jerusalem Film Center. The new relationship will be further developed over the coming years, in close cooperation with the Jerusalem Film Center and our long-time Israeli partners.

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For the Bernard van Leer Foundation (BvLF), an important change was the design and approval of a new strategy, following the leadership transition in 2014-2015. The new Executive Director, Michael Feigelson, has focused the attention of BvLF on providing solutions that have the potential for impact at scale, that address multiple problems and that receive insufficient attention from other funders. This focus is driven by the observation that nowadays it is not necessary to convince others why they must invest in a child's early years, but there is a need to provide answers to the question how to invest. Because this change in focus affects the current program (some current activities will be phased out) and requires investments in new knowledge, new staff and new activities, the Governing Council of VLGf decided to allocate an additional sum of EUR 5 million in 2015. These funds can be drawn by BvLF in the period 2016-2018. The full amount is presented as 2015 spending in the table above.

Lia van Leer passed away in March 2015. Lia was the founder of the Jerusalem Film Center, together with her husband Wim van Leer. But more than that, she embodied the spirit of a ferociously free, open and secular Israeli society in which international and Israeli culture was shared. She was also the last living direct family member that linked us as a Foundation to the founding family. She will be missed.

During 2015 Rien van Gendt and Gideon Frank stepped down as members of the Governing Council. Both had reached their statutory retirement date. They were replaced by Wim Borgdorff and Yarom Ariav.

I urge you to read the annual reports of the Bernard van Leer Foundation, the Van Leer Jerusalem Institute and the Jerusalem Film Center, and to visit their websites for more information. The existence of the Van Leer Group Foundation is only justified by the wonderful activities undertaken by these organisations. Through their activities, the spirit of our founders lives on.

Governing Council as of 31 December 2015:

Yarom Ariav (Israel)  
 Wim Borgdorff (Netherlands)  
 Steven Kaempfer (Netherlands)  
 Jonathan Kestenbaum (United Kingdom)  
 Julia Neuberger (United Kingdom)  
 Robert Swaak (Netherlands)  
 Jacqueline Tammenoms Bakker (Netherlands), Chair  
 Sam Worthington (United States)

The Van Leer Group Foundation remunerates the members of the Governing Council. Some members have waived the right to remuneration. Members are reimbursed for travel and other related expenses. The Van Leer Group Foundation has no remuneration policy for its four staff members. Compensation is determined on a case by case basis, according to market conditions and job requirements.

Staff as of 31 December 2015:

Andre Betting, Executive Director  
 Bob Galesloot, Investment Manager  
 Tim Otto, Controller  
 Rick Venster, Staff Accountant

Andre Betting, Executive Director

**Balance sheet as at December 31, 2015**

(after appropriation of result)

	Note	2015		2014	
		EUR000	EUR000	EUR000	EUR000
<b>Investments</b>					
Participating interests	1		48,967		44,589
Financial investments	2		674,465		648,320
			<u>723,432</u>		<u>692,909</u>
<b>Other assets and liabilities</b>					
Tangible fixed assets		53		66	
Receivables	3	177		139	
Cash and cash equivalents	4	13		55	
Current liabilities	5	(19,479)		(14,450)	
<b>Net other assets/(liabilities)</b>			<u>(19,236)</u>		<u>(14,190)</u>
<b>Total assets less liabilities</b>			<u>704,196</u>		<u>678,719</u>
<b>Capital and reserves</b>					
Capital	6		2,268		2,268
Reserve BVLF		18,799		18,494	
Reserve VLJI		4,422		3,869	
Reserve VLJI building		1,912		1,444	
Reserve JFC		787		689	
Reserve other contributions		40		40	
General reserve		675,968		651,915	
			<u>704,196</u>		<u>678,719</u>
			<u>704,196</u>		<u>678,719</u>

## Statement of comprehensive income and expenditure for the year 2015

	Note	2015		2014	
		EUR000	EUR000	EUR000	EUR000
<b>Income</b>					
Result from participating interests	1		16,732		3,881
Income from financial investments	11		26,298		19,899
(Un)realised differences in valuation of financial investments and exchange rate differences	12		15,505		50,968
Investment fees	13		(2,983)		(3,337)
			<u>55,552</u>		<u>71,411</u>
<b>Expenditure</b>					
General and administrative expenses	14	1,249			1,132
Remuneration and expenses Governing Council members	15	287			194
			<u>1,536</u>		<u>1,326</u>
<b>Net result</b>			54,016		70,085
<b>Direct capital movements</b>					
Contributions BVLFF	6	23,512		18,494	
Contributions VLJI	6	4,076		3,863	
Contribution Polonsky building	6	55		214	
Contributions Jerusalem Film Center	6	795		720	
Other contributions	6	100		73	
			<u>28,538</u>		<u>23,364</u>
<b>Total result of the Foundation</b>			<u>25,478</u>		<u>46,721</u>